

IRS TAX TIP 2004-51

ALTERNATIVE MINIMUM TAX

Before mailing your federal income tax return, check to make sure you aren't subject to the alternative minimum tax. The IRS says that in recent years, more and more people have found themselves subject to the AMT.

The tax law gives preferential treatment to some kinds of income and allows special deductions and credits for some kinds of expenses. Taxpayers who benefit from these provisions of the law may have to pay an additional tax called the alternative minimum tax. It is a separate tax computation that, in effect, eliminates many deductions and credits and creates a tax liability for an individual who would otherwise pay little or no tax.

For 2003, the exemption amounts for figuring the AMT have increased. The amount depends on your filing status. You may have to pay AMT if your taxable income for regular tax purposes, combined with certain adjustment and tax preference items, is more than the exemption amounts below:

- \$58,000 if you are married filing a joint return or a qualified widow(er),
- \$40,250 if you are single or head of household, or
- \$29,000 if you are married filing a separate return.

The adjustments and tax preference items include such things as: standard or certain itemized deductions, taxable state and local tax refunds, accelerated depreciation of certain property, intangible drilling costs, certain tax exempt interest and the difference between AMT and regular tax gain or loss on the sale of property, treatment of incentive stock options and depletion allowances.

If you meet the criteria noted above and have several of the listed tax preference items, you should determine whether you might be liable for AMT. For details, see the instructions for Form 1040, line 42, and Form 6251, "Alternative Minimum Tax," and its instructions.

Forms and their instructions are available on the IRS Web site at www.irs.gov or can be ordered by calling toll free 1-800-TAX-FORM (1-800-829-3676).

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